



MICHIGAN  
**FOREST  
PRODUCTS**  
COUNCIL

Comments to Senate Energy & Technology

May 24, 2016

Chairman Nofs and Members of the Senate Energy and Technology Committee:

On behalf of the Michigan Forest Products Council (MFPC), we urge you to oppose SB 437 (S-3) and HB 438 (S-3).

We understand the important energy policy choices facing Michigan at this time, which is why we recognize the importance of a systems approach policy that ensures reliable, adaptable and cost-effective policy solutions. At this time, the MFPC must respectfully oppose these bills in their current form because SB 437(S-3) and SB 438 (S-3) would increase our members' energy costs and jeopardize their competitiveness within the industry.

Our primary concerns with the bills are:

- Dismantles the Consumer Retail Electric Choice Program
- Authorizes decoupling that will increase consumer rates
- Loses the value of the Integrated Resource Planning (IRP) Program
- Changes the definition of biomass and repeals renewable portfolio standard
- Removes statutory framework, accountability and certainty

Energy is a major operational cost for manufacturers and an important determinant in which facilities and jobs remain competitive in the global marketplace. That is why for many of MFPC members it is important to have the opportunity to continue to participate in the retail open access program, that cogeneration and options for self-generation remain open, and that new additions to a utility's generation portfolio be added through a process that is open, competitive and ensures the lowest rates possible for all customers.

We are concerned that SB 437 (S-3), as currently drafted does not meet those goals, nor the goals outlined by the Governor in his plan to ensure reliable, affordable, adaptable and clean power for Michigan's energy future.

We believe that revenue decoupling creates an unfavorable rate climate for business customers, especially without meaningful energy efficiency.

In regard to the integrated resource plan (IRP), we support the concept as a planning tool however as proposed, the process weakens key consumer protections. A strong certificate of need (CON) process and robust alternatives assessment must be included to ensure that capacity needs are met with the most reasonable and prudent proposal as submitted by a utility or third party through a fair process at the Public Service Commission (PSC).

For example, the provision in Section 6t(13)(b) that mandates that the product of the competitive bid process for new generation must be owned by the utility, imposes an unnecessary barrier and removes incentives for innovative independent energy providers to invest in Michigan. This puts at risk the nearly 60,000 jobs and \$5 billion in economic activity generated by the clean energy sector.

SB 437 (S-3) provisions also unnecessarily restrict Michigan's retail open access program. Additional capacity charges are unfair and overpay the investor owned utilities. The additional fees eliminate the benefit to buy capacity from a competitive supplier. Without any benefit, there is little reason for a new customer to participate in the electric choice market. As for existing choice customers, they have already paid for their fair share of existing utility generating capacity.

Secondly, provisions in the bill create an artificial capacity shortfall and dramatically increase electricity costs through not counting all resources that could meet the local clearing requirement (LCR). We believe that the method recognized by MISO should satisfy such requirements. Strong controls on market manipulation should be included in the bill, including a requirement that all excess LCR capacity be offered for sale on competitive terms or offered in the market. An open process to challenge any determinations of the MPSC to ensure all resources have been appropriately counted and remove the restrictions on imported capacity to reflect existing market rules would be helpful in this regard.

Michigan's need for new capacity within its borders is a driving force behind this legislation. To cost-effectively meet this need with reliable energy, we need public policies that provide for the

elimination of energy waste and incorporate new cost-effective renewable energies like wind, solar and biomass.

We believe the legislation should retain or expand Michigan's energy optimization program, including more demand side options, where the current standard has saved Michigan businesses and families over \$4.2 billion since 2008. Additionally, the standard requires energy saving actions to compete head-to-head with other options and demonstrate their cost effectiveness. The net effect is that we can meet our future energy needs cost effectively and potentially avoid over-building expensive power plants.

Finally, we do not support the provisions in SB 438 (S-3) that may leave out Michigan's renewable portfolio standard and biomass which is carbon neutral. Under the revised definition of "renewable energy resources", biomass should qualify as renewable and biomass generation as a renewable energy system. Michigan's biomass generating facilities and manufacturers generating green biomass electricity address reliability concerns in the Upper Peninsula and rural Michigan. Jobs associated with the biomass supply chain are an important part of Michigan's rural economy. Our state may be better served by increased investment in distributed generation by Michigan businesses to diversify Michigan's generation portfolio. In our view, maintaining a lot of what works under the existing law PA 295 of 2008 is a preferred approach. Michigan can't afford to go backwards.

We stand ready to work with you as this process furthers in an effort to craft a comprehensive energy policy that will not only advance Michigan's goals of reliable, affordability, and clean energy but bring much needed investments and jobs to the state.

The total economic benefit of Michigan's forest products industry in 2014 was \$17.8 billion. The state has 19.3 million acres of forest land, including 2.5 million acres of federal National Forests and 312,000 private landowners. Additionally, Michigan's value added exports reach \$518 million in 2014.

The Michigan Forest Products Council works to promote, protect and sustain a vibrant forest products industry in Michigan. The Michigan Forest Products Council is a statewide trade organization representing the forest products industry, which owns millions of acres of timberland and employs 87,000 men and women in Michigan.